




Lesson Plan

Affordable Care Act

Time Required: 1 hour

Introduction	Objectives	Topics
The lesson covers some of the tax provisions of the Affordable Care Act (ACA). You will learn how to determine if taxpayers are eligible to claim the new premium tax credit and if taxpayers satisfy the individual shared responsibility provision by enrolling in minimum essential coverage, qualifying for an exemption, or making a shared responsibility payment.	Determine what is minimum essential coverage (MEC)	Minimum Essential Coverage
	Explain how to report minimum essential coverage on the 2014 tax return	Premium Tax Credit
	Determine who is eligible for the premium tax credit	Calculating the Premium Tax Credit
	Calculate the premium tax credit	Claiming the Premium Tax Credit
This lesson also covers calculating the premium tax credit and reporting taxpayers' health insurance coverage, exemption from coverage, or shared responsibility payment on the tax return.	Determine if taxpayers qualify for a health care coverage exemption	Individual Shared Responsibility Provision
	Calculate the shared responsibility payment	Exemptions from Health Coverage
	Report taxpayers' health insurance coverage, premium tax credit, exemption from coverage, or shared responsibility payment on the tax return	Shared Responsibility Payment
		Reporting Coverage or Exemptions
		 U.S. Citizens Living Abroad

Key Terms

Applicable taxpayer: A taxpayer must be an applicable taxpayer to claim the premium tax credit (PTC). Generally, an applicable taxpayer is one who has household income at least 100 percent but not more than 400 percent of the Federal poverty line (FPL) for the family size, and cannot be claimed as a dependent. If the taxpayer is married at the end of the year, the taxpayer must file a joint return to be an applicable taxpayer unless an exception is met.

Exchange (Marketplace, or Health Insurance Marketplace): A governmental agency or nonprofit entity that makes qualified health plans available to individuals. The term "Marketplace" refers to state Marketplaces, regional Marketplaces, subsidiary Marketplaces, and a federally-facilitated Marketplace.

Exemption Certification Number (ECN): The number the taxpayer received from the Marketplace for the individual listed in Part I (Marketplace-Granted Coverage Exemptions for Individuals) on Form 8965, column c.

Family: Taxpayer family includes all individuals and only those individuals for whom the taxpayer claims a personal exemption deduction on the tax return (taxpayer, spouse, or dependents).

Family coverage: If taxpayer (or spouse if filing jointly) is eligible for family coverage under an employer's plan, the required contribution amount for any member of the family is the premium the taxpayer would pay for the lowest cost family coverage that would cover the taxpayer and everyone in the non-exempt family.

Form 1095-A, Health Insurance Marketplace Statement: Used to report certain information to the IRS about family members who enroll in a qualified health plan through the Marketplace. Form 1095-A also is furnished to individuals to allow them to claim the premium tax credit, to reconcile the credit on their returns with advance payments of the premium tax credit (advance credit payments), and to file an accurate tax return.

Household income: The sum of the taxpayer modified adjusted gross income (MAGI), the spouse's MAGI (if Married Filing Jointly), and the MAGI of all dependents required to file a tax return.

Minimum essential coverage (MEC): Coverage under a government-sponsored program, an eligible employer-sponsored plan, a plan in the individual market, a grandfathered health plan, or other coverage recognized by the Department of Health and Human Services (HHS), in coordination with the Secretary of the Treasury, as minimum essential coverage.

Modified Adjusted Gross Income (MAGI): For the purposes of Form 8965, MAGI is the taxpayer's adjusted gross income plus certain income that is not subject to tax (foreign earned income and tax-exempt interest).

Premium tax credit: A tax credit for certain people who enroll in a qualified health plan offered through a Marketplace (Exchange). The credit reduces the amount of tax the taxpayer owes. It may also give the taxpayer a refund.

If applicable, the taxpayer is allowed a credit amount for any month during the year that the taxpayer or one or more of the family members [spouse or dependent(s)] were enrolled in one or more qualified health plans through a Marketplace and not eligible for other minimum essential coverage.

Shared responsibility payment (SRP): If the taxpayer or any other member of the tax household did not have either minimum essential coverage or an exemption for any month during the tax year, the taxpayer must compute the shared responsibility payment.

Unaffordable coverage: For purposes of Form 8965, coverage is unaffordable if the individual's required contribution is more than 8% of household income.

Teacher Tips

Guidelines for Lesson

Guideline	Instructor Notes	Presentation Aids
Lesson background info	Share link to Student Landing Page	Internet: Show Student landing page and go over skill check
Provide details and engage the students	Discuss all tips and cautions in detail. Ask students to read and/or role-play examples.	Internet: Link & Learn Taxes (L<) Affordable Care Act

Topic-specific Tips

Topic Name	Instructor Notes	Presentation Aids
Introduction	<p>Review lesson objectives.</p> <p>Review list of references.</p> <p>State the presentation time of 1 hour.</p> <p>Review the Key Terms in the lesson.</p> <p>Review Form 13614-C, page 3, Part VI</p> <p>Point out that those taxpayers who do not have minimum essential coverage and do not qualify for an exemption will make a shared responsibility payment on their 2014 tax return.</p>	<p>Visuals:</p> <p>Form 13614-C, page 3, Part VI</p> <p>Publication 5120</p> <p>Publication 5121</p> <p>Publication 5157</p> <p>Pub 4012, ACA tab</p> <p>Internet:</p> <p>Tax Topic: Affordable Care Act Provisions for Individuals and Families</p> <p>Tax Topic: The Individual Shared Responsibility Provision</p>
Minimum Essential Coverage (MEC)	<p>Ask: What is minimum essential coverage?</p> <p>Direct students to Pub 4012, ACA tab, Minimum Essential Coverage.</p> <p>Review Minimum Essential Coverage chart in Pub 4012, ACA tab.</p> <p>Point out: This provision became effective on January 1, 2014. It applies to each month in the calendar year. Individuals are treated as having minimum essential coverage (MEC) for a month as long as they are enrolled in and entitled to receive benefits under a plan or program identified as MEC for at least one day during that month.</p> <p>Emphasize: Taxpayers who had MEC for each month of their tax year will indicate this on their 2014 tax return by checking a box on line 61 of Form 1040.</p> <p>Review Minimum Essential Coverage questions in 4491 or L&LT.</p>	<p>Visuals:</p> <p>Form 1040, line 61</p> <p>Pub 4012, ACA tab:</p> <p>Minimum Essential Coverage</p>

Premium Tax Credit

Review L< topic Premium Tax Credit Eligibility.

Ask: What is the Premium Tax Credit?

Ask: Who is allowed a premium tax credit?

Answer: Refer to the subtopic Who is allowed a Premium Tax Credit?

Point out eligibility for the premium tax credit for 2014 is based on the 2013 federal poverty lines.

Direct students to Pub 4012, ACA tab, Determining Premium Tax Credit Decision Tree and Federal Poverty Line charts.

Remind volunteers a taxpayer's household income is the total of the taxpayer's modified adjusted gross income (MAGI), the taxpayer's spouse's MAGI if married and filing a joint return, and the MAGI of all dependents required to file a federal income tax return.

Review: The taxpayer's tax family consists of the taxpayer, the taxpayer's spouse if filing jointly, and all other individuals for whom the taxpayer claims a personal exemption deduction.

Visual:

Pub 4012, ACA tab:
[Determining Premium tax Credit Eligibility](#)

Pub 4012, ACA tab:
[Federal Poverty Lines](#)

Internet:

Tax Topic: [The Premium Tax Credit](#)

YouTube video: [Premium Tax Credit](#)

YouTube video: [Premium Tax Credit Changes in Circumstances](#)

Calculating the
Premium Tax
Credit

Review L< topic Calculating the Premium Tax Credit.

Ask: Can taxpayers receive the premium tax credit in advance? **Answer:** Yes, taxpayers can decide to have all or some of the estimated credit paid in advance directly to their insurance company.

Review Form 8962, Premium Tax Credit

Ask: How is the premium tax credit computed?

Answer: The information on Form 1095-A is used to compute the premium tax credit.

Point out: The Marketplace will send taxpayers Form 1095-A, showing the amount of their monthly premiums and advance credit payments, by January 31 of the year following the year of coverage.

Review Form 1095-A, Health Insurance Marketplace Statement

Discuss changes during the year that affect the amount of the premium tax credit.

- Household income changes
 - Marriage
 - Divorce
 - Birth or adoption
 - Changes in household composition
 - Gaining or losing based on government or employer-sponsored healthcare coverage
 - Change of address
-

Visuals:

[Form 8962](#), Part 1

[Form 1095-A](#)

Claiming the
Premium Tax
Credit

Review L< topic Claiming the Premium Tax Credit.

Ask: Must taxpayers claim a premium tax credit on their return? **Answer:** Yes, taxpayers claim the premium tax credit on the tax return. Taxpayers who received advance credit payments must file a tax return even if they otherwise are not required to file. Remember, the premium tax credit is only available to taxpayers who purchased health coverage through the Marketplace.

Ask, True or False? If the premium tax credit is more than the advance credit payments made on the taxpayer's behalf during the year, the difference will increase the refund or lower the amount of tax owed. **Answer:** True. This is reported in the Payments section of Form 1040.

Review the example in this topic.

Point out changes in circumstances, such as taxpayers who have separated or divorced and have a shared policy, may require the taxpayer to complete Form 8962, Part 4.

Direct students to Pub 4012, ACA tab, Shared Policy Allocation Decision Tree to determine the specific allocation(s) for each shared policy.

Visuals:

[Form 8962](#), Parts 2-4

[Form 1040](#), line 69

Pub 4012, ACA tab:
[Shared Policy Allocation](#)

Individual Shared
Responsibility
Provision

Review L< topic Individual Shared Responsibility Provision.

Point out that the individual shared responsibility provision calls for taxpayers to have minimum essential health coverage

- For each month
- Qualify for an exemption or
- Make a SRP payment when filing their federal income tax return

Point out a taxpayer is potentially liable for him or herself, and for any individual the taxpayer could claim as a dependent for federal income tax purposes. All children generally must have MEC or qualify for a coverage exemption for each month in the year.

Direct students to Pub 4012, ACA tab, Taxpayer, spouse, dependents had no insurance.

Direct students to Pub 4012, ACA tab, Federal Tax Filing Requirement Thresholds.

Visuals:

Pub 4012, ACA tab:

- [Taxpayer, spouse, dependent had no insurance decision tree](#)
- [Federal Tax Filing Requirement Thresholds](#)

Internet:

Tax Topic: [Individual Shared Responsibility Provision](#)

YouTube video: [Individual Shared Responsibility Overview](#)

Exemptions from Health Coverage

Review L< topic Exemptions from Health Coverage.

Point out that taxpayers may be exempt from the requirement to maintain minimum essential coverage and will not have to make a shared responsibility payment if they meet certain criteria.

Review Pub 4012, ACA tab, Health Care Exemptions.

Review Form 8965, Health Care Exemptions.

Explain: Taxpayers who received an exemption from the Marketplace will enter their certificate number on Form 8965 in Part I, column c. Part II is for taxpayers claiming an exemption due to income below the filing threshold. All other exemptions are claimed in Part III. Use a separate line for each individual and exemption type claimed on the return.

Visuals:

[Form 8965](#)

Pub 4012, ACA tab:

- [Health Care Exemptions](#)
- [Federal Tax Filing Requirement Thresholds](#)

Shared
Responsibility
Payment

Review L< topic Shared Responsibility Payment.

Explain: The annual SRP amount is the greater of a percentage of household income or a flat dollar amount, but is capped at the national average premium for a bronze level health plan available through the Marketplace that would cover everyone in the tax household who doesn't have coverage and doesn't qualify for a coverage exemption. Taxpayers owe 1/12th of the annual SRP for each month they or their dependent(s) don't have coverage and don't qualify for a coverage exemption.

Explain: Calculating the payment requires the taxpayer's household income and tax return filing threshold.

Discuss: The annual payment amount is the greater of:

- 1 percent of the household income that is above the tax return filing threshold for the filing status, or
- The family's flat dollar amount, which is \$95 per adult and \$47.50 per child (under age 18), limited to a family maximum of \$285,
- But capped at the national average premium for a bronze level health plan available through the Marketplace in 2014 that would cover everyone in the tax household who doesn't have coverage and doesn't qualify for a coverage exemption.

Review the examples on the Tax Topic for the Individual Shared Responsibility Provision – Calculating the Payment.

Visuals:

Pub 4012, ACA tab, [Federal Tax Filing Requirement Thresholds](#)

Internet:

Tax Topic: [The Individual Shared Responsibility Provision – Calculating the Payment](#)

Reporting Coverage or Exemptions	<p>Review L&LT topic Reporting Coverage or Exemptions.</p> <p>Explain where to report coverage or exemptions:</p> <ul style="list-style-type: none">• The premium tax credit is calculated and the advance payments are reconciled on Form 8962.• Taxpayers will receive Form 1095-A from the Marketplace, which will contain the information necessary to complete Form 8962.• Taxpayers who did not have minimum essential coverage all year may claim a coverage exemption using Form 8965.• Taxpayers should use the worksheets located in the instructions to Form 8965 to figure the SRP amount due.• The SRP amount due is reported on Form 1040, line 61 in the Other Taxes section.• The premium tax credit is claimed in the Payments section of the Form 1040.• Any excess advance payments of the premium tax credit is entered in the Tax and Credits section of the Form 1040.	<p>Visuals:</p> <p>Form 8962</p> <p>Form 1095-A</p> <p>Form 1040</p>
Summary	<p>Review the lesson summary with the class.</p>	<p>Visuals:</p> <p>L&LT Affordable Care Act, Summary</p>

References

L<	Affordable Care Act
Form 1040	Form 1040
Form 1040 Instructions	Form 1040 Instructions
Form 13614-C	Form 13614-C , Intake/Interview & Quality Review Sheet, Page 2, Part III
Form 8962	Form 8962 , Premium Tax Credit
Form 8962 Instructions	Form 8962 instructions
Form 1095-A	Form 1095-A , Health Insurance Marketplace Statement
Form 8965	Form 8965 , Health Coverage Exemptions
Form 8965 Instructions	Form 8965 instructions
Pub 4012	Pub 4012, Volunteer Resource Guide, ACA tab Minimum Essential Coverage Determining Premium tax Credit Eligibility Federal Poverty Lines Shared Policy Allocation Federal Tax Filing Requirement Thresholds Health Care Exemptions Decision Tree for if Taxpayer, Spouse, Dependent Had Insurance Decision Tree for if Taxpayer, Spouse, Dependent Had No Insurance

Optional

Pub 544	Pub 5152 , Affordable Care Act Individuals and Families
Pub 550	Pub 5121 , Facts about the Premium Tax Credit
Pub 551	Pub 5157 , Affordable Care Act

Recommended Classroom Activities



Tax Facts



Assessments



Media: Videos
& Audio



TaxWise
Tutorial



Job Aids



Practice
Lab



Tax Facts: Link & Learn Taxes Income – Affordable Care Act

Click Tax Facts as a new way to access Link & Learn Taxes Lesson Affordable Care Act.



Assessments – Summary and Exercises

No assessments are associated with this lesson.



Media: Video & Audio for Lesson

YouTube video: [Premium Tax Credit](#)

YouTube video: [Premium Tax Credit Changes in Circumstances](#)

YouTube video: [Individual Shared Responsibility Overview](#)



TaxWise Tips and Resources for Lesson

TaxWise screens	Other Taxes
	Payments
Practice Lab Tutorial	From the Practice Lab, select:
	1. TaxWise IRS training
	2. TaxWise Desktop Preparer with VITA/TCE Training menu or the TaxWise Online Preparer with VITA/TCE Training menu
	3. Click the Income button, then select Part 2
TaxWise Solution Center	https://support.taxwise.com/



Job Aids

ITA and FAQs for Lesson

Tax Topics

Affordable Care Act Provisions for Individuals and Families

<http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions-for-Individuals-and-Families>

The Premium Tax Credit

<http://www.irs.gov/uac/The-Premium-Tax-Credit>

The Individual Shared Responsibility Provision

<http://www.irs.gov/uac/Individual-Shared-Responsibility-Provision>

The Individual Shared Responsibility Provision – Calculating the Payment

<http://www.irs.gov/uac/ACA-Individual-Shared-Responsibility-Provision-Calculating-the-Payment>

References

References for L< Affordable Care Act

<http://apps.irs.gov/app/vita/content/02/references.jsp>



Practice Lab

Practice Lab

<http://www.voltaxprep.com/>
